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### I. INTRODUCTION

This motion seeks partial summary judgment for Glidewell on Keating's Second Counterclaim for Unfair Competition, Third Counterclaim for Misuse of Trademark, Third Affirmative Defense of estoppel, Fourth Affirmative Defense of unclean hands, and Fifth Affirmative Defense of fair use.

Keating's Third Counterclaim for Misuse of Trademark fails because no such claim exists. Trademark misuse has been recognized as equivalent to an unclean hands affirmative defense, but courts have universally rejected trademark misuse as an affirmative claim.

Keating's Second Counterclaim for Unfair Competition fails because Keating lacks standing. Standing under California Business & Professions Code § 17200 et seq. (the "UCL") requires a showing of both injury in fact and economic loss. Keating has no evidence to establish either element, and thus it lacks standing.

Both Keating's unfair competition claim and its unclean hands defense fail on the merits. As set forth below, none of the conduct Keating complains of rises to the level of illegality or anti-competitive conduct sufficient to establish an unfair competition claim or unclean hands affirmative defense.

Keating's fair use defense fails because Keating uses its KDZ Bruxer mark as a trademark, and not as a description of its goods.

Finally, Keating neither alleged fracts, nor furnished evidence, giving rise to an estoppel.

Accordingly, the Court should enter partial summary judgment in Glidewell's favor.

# Snell & Wilmer LAW OFFICES South Grand Avenue, Suite 2600. Two California Plaza Los Angeles, California 90071 (213) 229-2500

### II. STATEMENT OF FACTS<sup>1</sup>

Glidewell is a leading provider of dental restoration products to dentists. (Declaration of Jim Shuck, Exhibit G to the Appendix of Evidence ("Shuck Decl."), ¶ 4). Since their introduction in 2009, the BruxZir line of dental restoration products, including crowns and bridges, have been phenomenally popular, generating approximately \$120 million in revenue over the past three and a half years. (Statement of Uncontroverted Facts and Conclusions of Law in Support of Glidewell's Motion for Partial Summary Judgment re: Trademark Misuse, Unfair Competition, and Unclean Hands ("SUF") 1).

Glidewell applied to register the BruxZir mark in June of 2009 in connection with "Dental Bridges; Dental Caps; Dental Crowns; Dental Inlays; Dental Onlays; [and] Dental Prostheses." (SUF 2). The registration was granted in January of 2010. (SUF 3).

Keating also sells zirconia dental crowns and bridges to dentists. (SUF 4).

Keating contends in its Second and Third Counterclaims, and its Fourth Affirmative Defense, that Glidewell has misused its trademark, engaged in unfair competition, and has unclean hands. Keating's allegations center around three claims: that Glidewell has tied its trademark licensing efforts to the purchase of other Glidewell products, that Glidewell has misused the ® registration symbol, and that Glidewell is enforcing a generic mark. Keating's Third Affirmative Defense of estoppel likewise concerns Glidewell's enforcement of its Bruxzir mark.

### A. Glidewell's Licensing of the BruxZir Mark

Glidewell has actively policed the use of marks confusingly similar to its BruxZir mark. Specifically, Glidewell identified several marks using the terms

This statement of facts is limited to the facts relevant to Keating's Trademark Misuse, Unfair Competition, and Unclean Hands claims. A more thorough statement of facts can be found in Glidewell's motion for partial summary judgment re: infringement.

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"Brux" or "Bruxer" in connection with solid-zirconia dental restoration products as confusingly similar to the BruxZir mark, and sent several cease and desist letters to the companies offering products or services under those marks. (SUF 5). In such instances Glidewell offers the infringer two options: it can either change its mark to avoid any confusion with the BruxZir mark, or it can become a licensed, authorized BruxZir lab. (SUF 6). To become an authorized BruxZir lab, the offending party must use the actual BruxZir mark, as opposed to the confusingly similar mark, and it must purchase BruxZir milling blanks to use in fabricating BruxZir dental crowns and bridges. (SUF 7). Glidewell's BruxZir milling blanks are the raw zirconia from which the dental restoration products are made. Whichever option the infringing party chooses, it must change its confusingly similar mark: either to something not confusing, or to the actual BruxZir mark in the event the infringing party becomes an authorized lab. (SUF 7).

Examples of marks that Glidewell has deemed infringing when used in connection with zirconia dental restoration products, and for which Glidewell sent cease and desist letters, are: BRUXZIR, FULL ZIRCONIA (BRUXZIR), ZIR-BRUXER CROWN, Z-BRUX, R-BRUX, BRUXER ALL ZIRCONIA, BRUXER ALL-ZIRCONIA CROWN, BRUX CROWN, FULL SOLID BRUXER ZIRCONIA, and BRUXER. (SUF 9). Each of these marks was being used in connection with zirconia dental restoration products and thus was being used in direct competition with Glidewell. (SUF 8). In each instance, Glidewell resolved the infringement claim short of litigation. (SUF 10).

The one alleged instance of an improper tying arrangement concerns Glidewell's initial communications with Keating. When Glidewell discovered Keating's "KDZ Bruxer" mark, Glidewell's sales manager, Robin Bartolo, called Sean Keating to discuss Glidewell's concerns. The parties did not come to any resolution during the call, and afterwards Bartolo sent Mr. Keating a follow-up letter. The letter stated, "If you cancel your trademark application for KDZ Bruxer

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Bartolo testifies otherwise. Bartolo testifies that in the phone conversation he made the same demand to Keating that Glidewell makes to all infringers: change the mark to cure the potential confusion *or* become a licensee and change the mark to BruxZir. (Bartolo Decl., ¶¶ 18-22). Either way, Keating would have been required to change the mark, but would not have been required to purchase Glidewell milling blanks unless Keating chose to become a licensee. Because in this motion all inferences must be resolved in favor of the non-moving party, however, we assume, without conceding, that Keating's account is correct.

### B. Glidewell's Alleged Improper Use of the ® Symbol

Glidewell's BruxZir mark is registered. (SUF 2, 3). It is only registered, however, in connection with crowns, bridges and other dental restoration products. (SUF 2, 3). Glidewell uses the mark in connection with other products as well, including milling blanks and various pieces of lab equipment used in the manufacture of dental restoration products. (SUF 12). Because the BruxZir mark is not registered in connection with the milling blanks and lab products, Glidewell uses either the TM symbol, or no symbol, when using the BruxZir mark in connection with those products. (SUF 14).

At the deposition of Keith Allred, Glidewell's in-house counsel, Keating's

attorney confronted Allred with two instances on Glidewell's website where Glidewell used the ® symbol in connection with milling blanks and lab equipment. (SUF 12). Specifically, BruxZir's informational page concerning BruxZir milling blanks used the registration symbol, and the informational page associated with the BruxZir Mill² used the registration symbol. (SUF 12). The next day after Allred's deposition, those portions of Glidewell's website were revised to conform with Glidewell's usual practice of using the TM symbol when using the BruxZir mark in connection with milling blanks and lab equipment. (SUF 15). Glidewell subsequently identified a third instance of use of the ® symbol in connection with the BruxZir mill in an e-mail blast. (SUF 13).

### C. Glidewell's Enforcement of Its Mark

Keating contends Glidewell's BruxZir mark has become generic and that Glidewell has improperly accused third parties of infringement for use of the terms "Brux" and "Bruxer" in connection with solid zirconia crowns, which Keating contends are also generic terms.<sup>3</sup> No court has adjudicated the BruxZir mark generic, however. (SUF 20).

### III. ARGUMENT

# A. Legal Standard for Summary Judgment Motions

A party is entitled to summary judgment on all or part of a defense if "there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). "[T]he plain language of Rule 56(c) mandates the entry of summary judgment . . . against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial. . . . Of course, a

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<sup>&</sup>lt;sup>2</sup> The BruxZir Mill is used to produce full contour crowns.

Keating's actual arguments and evidence in support of these positions are irrelevant to the arguments advanced in this motion. Keating's arguments and evidence are discussed extensively in Glidewell's concurrently-filed Motion for Partial Summary Judgment re: Genericness.

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# B. <u>Keating's Third Counterclaim for Misuse of Trademark Fails to State a</u> <u>Legally Cognizable Claim</u>

The Court should enter partial summary judgment for Glidewell on Keating's Third Counterclaim for Misuse of Trademark because no such affirmative claim exists. As Professor McCarthy explains, there is no affirmative claim for trademark misuse: "Unclean hands, or trademark misuse, is purely an affirmative defense and does not form the basis for an affirmative claim for recovery." 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition (4th ed. 2010) § 31:44.4

The case law bears this statement out. In *Juno Online Services v. Juno Lighting, Inc.*, 979 F.Supp. 684 (N.D. Ill. 1997), the court refused to recognize an independent claim for trademark misuse, explaining that the rationale for a *patent* misuse claim does not apply to trademarks because trademarks do not confer a monopoly:

Since the affirmative claim for patent misuse has a

McCarthy on Trademarks and Unfair Competition has been described by the Federal Circuit as the "leading treatise" on the subject matter. *In re Rath*, 402 F.3d 1207, 1213 (Fed. Cir. 2005).

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suspect history to begin with, and since plaintiff has failed to point the court to a single case in which an American court has used trademark misuse affirmatively, the court is quite skeptical to allow an affirmative claim for trademark misuse. The fear expressed in [patent misuse] cases such as *Morton Salt* is that the holder of a government monopoly will use the monopoly to the detriment of the public by destroying competition. By contrast, in trademark law, the mark holder usually does not have the ability to destroy competition. The holder can only keep competitors from using the mark and, in most circumstances, cannot keep them from selling a directly competing product. Therefore, there appears to be less of a justification for extending the trademark misuse doctrine than there is in the patent arena.

Id. at 690. The consistent refrain of courts is that no affirmative claim for trademark misuse exists. Ford Motor Co. v. Obsolete Ford Parts, Inc., 318 F.Supp.2d 516, 521 (E.D. Mich. 2004) ("Plaintiff cites no case law to support its theory that trademark misuse can be an independent basis for relief. The court declines to announce or create an independent cause of action for trademark misuse and finds that Defendant's claim is more appropriately cast as a potential affirmative defense."); Dunn Computer Corp. v. Loudcloud, Inc., 133 F.Supp.2d 823, 830 (E.D. Va. 2001) ("Trademark misuse is not an independent cause of action, but is, instead, only an affirmative defense to a trademark infringement claim."); Loblaw Companies Ltd. v. Azimi, 2001 WL 36028016 (N.D. Cal. 2001) (following Juno Online Services and concluding, "trademark misuse . . . could not be asserted as an independent claim, and . . . even its use as an affirmative defense was questionable."); Santander Consumer USA Inc. v. Walsh, 762 F.Supp.2d 217, 239 (D. Mass. 2010) (citing McCarthy and stating, "It is well settled that 'trademark misuse is purely an affirmative defense and does not form the basis for an affirmative claim for recovery."). Because there is no affirmative claim for trademark misuse, the Court should enter judgment for Glidewell on Keating's

Third Counterclaim for Misuse of Trademark.

# C. Keating Lacks Standing to Raise Its Second Counterclaim for Unfair Competition Under the UCL

Keating's Second Counterclaim for Unfair Competition under the UCL fails because Keating has no standing under the UCL. As set forth below, Keating does not even allege, much less have evidence, that it "suffered injury in fact and lost money or property as a result of the unfair competition," which is the UCL's standing requirement. Cal. Bus. & Prof. Code § 17204. Accordingly, the Court should enter partial summary judgment in favor of Glidewell on Keating's UCL claim.

Prior to 2004, the UCL conferred standing broadly, authorizing "any person acting for the interests of itself, its members or the general public' (former § 17204) to file a civil action for relief. Standing to bring such an action did not depend on a showing of injury or damage." *M & F Fishing, Inc. v. Sea-Pac Ins. Managers, Inc.*, 202 Cal. App. 4th 1509, 1525 (2012). "Proposition 64 changed the standing requirements for a UCL claim to create a two-pronged test: A private person now has standing to assert a UCL claim only if he or she (1) 'has suffered injury in fact,' and (2) 'has lost money or property as a result of the unfair competition." *Id.* (quoting Business & Professions Code § 17204); see also *Susilo v. Wells Fargo Bank, N.A.*, 796 F.Supp.2d 1177, 1195-96 (C.D. Cal. 2011) ("To have standing to bring suit pursuant to § 17200, a plaintiff must make a twofold showing: he or she must demonstrate injury in fact and a loss of money or property caused by unfair competition." Internal quotations omitted); *Mattel, Inc. v. MGA Entm't, Inc.*, 782 F.Supp.2d 911, 1012 (C.D. Cal. 2011) (same).

Because a showing of economic harm will usually satisfy the "injury in fact" requirement, the California Supreme Court has reduced the test to a showing of

Keating's Second Counterclaim also includes a common law unfair competition claim. We address that claim in a subsequent section.

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Keating lacks standing to assert any of the three alleged acts of unfair competition described above because it has no evidence of economic injury.

# 1. The Alleged Attempted Tying Agreement Does Not Confer Standing

With respect to the purported effort by Glidewell to tie settlement of its infringement claim against Keating to the purchase of Glidewell products, even if one accepts at face value Keating's version of the evidence, Keating did not accept the offer and thus was not harmed by it. The only possible harm Keating could assert is the attorney's fees expended in this litigation. But as the Southern District of California has explained, attorney's fees in litigation under section 17200 cannot be the predicate injury under section 17204, "otherwise, any plaintiff filing suit would be able to show injury." *Selby v. Bank of Am., Inc.*, 2010 WL 4347629 (S.D. Cal. 2010); see also *Cordon v. Wachovia Mortg., a Div. of Wells Fargo Bank, N.A.*, 776 F.Supp.2d 1029, 1039 (N.D. Cal. 2011) ("Plaintiff fails to cite any authority establishing that attorney's fees incurred in bringing a UCL claim are sufficient to confer standing under § 17204. Under Plaintiff's reasoning, a private plaintiff

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Another reason the expenditure of attorney's fees cannot confer standing is because the UCL affords no remedy for the recovery of attorney's fees. Under the UCL, "Prevailing plaintiffs are generally limited to injunctive relief and restitution." *Cel-Tech Communications, Inc. v. Los Angeles Cellular Tel. Co.*, 20 Cal.4th 163, 179 (1999). Attorney's fees would be *damages*, not restitution, because those fees are not money that Glidewell took from Keating. *Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal.4th 1134, 1149 (2003) ("Any award that plaintiff would recover from defendants would not be restitutionary as it would not replace any money or property that defendants took directly from plaintiff.").

Because Glidewell's allegedly improper demand did not cause any economic harm to Keating, Keating has no standing to raise the allegation as a UCL claim.

# 2. The Alleged Improper Usages of the ® Symbol Do Not Confer Standing

With respect to the allegedly improper use of the ® symbol in two instances on Glidewell's website, Keating again cannot show economic injury. Keating has no evidence that *anyone* relied on those two alleged improper usages to its economic detriment, much less that Keating has.

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# 3. The Alleged Enforcement of a Generic Mark Does Not Confer Standing

Finally, with respect to Glidewell's allegedly attempting to enforce a generic mark, Keating again cannot prove economic injury. Most of the evidence Keating relies on is evidence of Glidewell's enforcing its mark against third parties. Obviously, that does not harm Keating. And Glidewell's enforcement of its mark against Keating has only resulted in a lawsuit and attorney's fees, which, as noted above, cannot confer standing under the UCL.

In short, Keating has not alleged, nor does it have evidence of, any cognizable economic harm. Because Keating has not suffered economic harm as a result of Glidewell's alleged acts of unfair competition, Keating does not have standing to bring a claim, and the Court should enter partial summary judgment in favor of Glidewell on Keating's Second Counterclaim for Unfair Competition under the UCL.

# D. <u>Keating's Common Law Unfair Competition Claim Fails for Lack of any Supporting Evidence</u>

Keating's Second Counterclaim also includes a claim for common law unfair competition. That claim fails, however, because common law unfair competition is limited to passing off and fraudulent acts akin to passing off, of which Keating has no evidence.

The common law tort of unfair competition is generally thought to be synonymous with the act of "passing off" one's goods as those of another. The tort developed as an equitable remedy against the wrongful exploitation of trade names and common law trademarks that were not otherwise entitled to legal protection. (See generally 1 Callmann, Unfair Competition Trademarks & Monopolies (4th ed.1981) §§ 2.01–2.03.) According to some authorities, the tort also includes acts analogous to "passing off," such as the sale of confusingly similar products, by which a person exploits a competitor's

reputation in the market.

Bank of the W. v. Superior Court, 2 Cal. 4th 1254, 1263 (1992). Although the tort is not absolutely restricted to "passing off," it must involve "fraud . . . in securing the trade of a rival dealer." Cel-Tech, supra, 20 Cal. 4th at 193.

Keating has not pled, nor does it have evidence of, any "passing off" by Glidewell, nor any comparable sort of fraud, nor any diversion of business from Keating to Glidewell. Accordingly, Keating has no evidence of common law unfair competition, and Glidewell is entitled to partial summary judgment on that counterclaim.

# E. <u>Keating's Counterclaim for Unfair Competition and Affirmative</u> <u>Defense of Unclean Hands Defense Fail on the Merits</u>

Even if Keating could overcome its lack of standing, Keating's UCL counterclaim fails on the merits, as does Keating's unclean hands affirmative defense. Below we separately analyze the legal standard applying to the UCL claim and unclean hands defense, but because the same arguments defeat both claims, we analyze the two together.

"The UCL defines unfair competition as 'any unlawful, unfair or fraudulent business act or practice...." (§ 17200.) Therefore, under the statute there are three varieties of unfair competition: practices which are unlawful, unfair or fraudulent." In re Tobacco II Cases, 46 Cal.4th 298, 311 (2009) (internal quotations omitted). "By proscribing 'any unlawful' business practice, section 17200 'borrows' violations of other laws and treats them as unlawful practices that the unfair competition law makes independently actionable." Cel-Tech, supra, 20 Cal. 4th at 180 (1999) (internal quotations omitted). "Conduct is 'unfair' if it 'threatens an incipient violation of an antitrust law, or violates the policy or spirit of one of those laws because its effects are comparable to or the same as a violation of the law, or otherwise significantly threatens or harms competition." TYR Sport, Inc. v.

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Warnaco Swimwear, Inc., 709 F.Supp.2d 821, 838 (C.D. Cal. 2010) (citing Cel-
Tech, supra, 20 Cal.4th at 187). "A fraudulent business practice is one in which
members of the public are likely to be deceived." Morgan v. AT & T Wireless
Services, Inc., 177 Cal.App.4th 1235, 1254 (2009) (internal quotations omitted).

"The doctrine of unclean hands 'bars relief to a plaintiff who has violated conscience, good faith or other equitable principles in his prior conduct, as well as to a plaintiff who has dirtied his hands in acquiring the right presently asserted." Dollar Systems, Inc. v. Avcar Leasing Systems, Inc., 890 F.2d 165, 173 (9th Cir. 1989). However, '[t]he unclean hands maxim is not a search warrant authorizing the defendant to probe into all the possible types of inequitable conduct ever engaged in by the plaintiff. Plaintiff's inequitable conduct is the basis for a valid defense only if it relates in some way to the subject matter in litigation.' 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition (4th ed. 2010) § 31:48." Pom Wonderful LLC v. Welch Foods, Inc., 737 F. Supp. 2d 1105, 1109 (C.D. Cal. 2010). In applying the unclean hands doctrine, the relevant inquiry is "not [whether] the plaintiff's hands are dirty, but [whether] he dirtied them in acquiring the right he now asserts, or [whether] the manner of dirtying renders inequitable the assertion of such rights against the defendants." Ellenburg v. Brockway, Inc., 763 F.2d 1091, 1097 (9th Cir.1985) (internal quotation omitted). Due to the severity of the unclean hands remedy—potentially permitting defendant to go on infringing a trademark and confusing the public—"courts require clear, convincing evidence of 'egregious' misconduct before invoking the doctrine of unclean hands." Citizens Fin. Group, Inc. v. Citizens Nat. Bank of Evans City, 383 F.3d 110, 129 (3d Cir. 2004).

Keating styles its Fourth Affirmative Defense "Misuse of Trademark/Unclean Hands/Unfair Competition." The defense of misuse of trademark, however, is redundant with unclean hands. KEMA, Inc. v. Koperwhats, 658 F.Supp.2d 1022, 1035-36 (N.D. Cal. 2009) (striking trademark misuse defense

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as redundant with unclean hands defense, and stating, "to the extent trademark misuse ever exists as a separate affirmative defense, see, e.g., Northwestern Corp. v. Gabriel Mfg. Co., 48 U.S.P.Q.2d 1902, 1909 (N.D. Ill. 1998) (noting 'because of trademark misuse's fragmented case history, the Court is reticent to even acknowledge the defense's existence'), in this case . . . it is duplicative of [defendant's] separately-pleaded defense of unclean hands."). Also, we were unable to find any authority recognizing an unfair competition affirmative defense—it is solely an affirmative claim. Accordingly, we analyze the Fourth Affirmative Defense as an unclean hands claim.

### 1. The Alleged Demand that Keating Purchase Glidewell Products Did Not Violate the UCL or Constitute Unclean Hands

Keating claims that Glidewell demanded that Keating purchase Glidewell goods and become an authorized lab to avoid an infringement lawsuit. The only possible prong of the UCL applicable here is the "unfair" prong, but the alleged settlement demand does not rise to the level of an anti-trust violation as required to constitute an "unfair" business practice, nor does it constitute unclean hands.

As Professor McCarthy explains, no reported decision has upheld an antitrust defense to trademark infringement: "While the courts have recognized the theoretical possibility of the antitrust misuse-unclean hands defense, in no final reported decision involving trademark infringement has a court actually refused to enforce a trademark because it was used in violation of antitrust law. Similarly, in private litigation, the courts have refused to invoke the sanction of forfeiture of a trademark as a remedy for an antitrust violation." 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition (4th ed. 2010) § 31:91. The reason is that trademarks, unlike patents, usually do not confer the type of market leverage needed to corner the market: "The fear expressed in [patent misuse] cases such as Morton Salt is that the holder of a government monopoly will use the monopoly to the detriment of the public by destroying competition. By contrast, in

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That is the case here. Assuming (for the purpose this motion only) that Keating's account of Glidewell's demand were accurate, Keating has no evidence that Glidewell had the market leverage to force Keating to become a licensee. If Keating had simply changed its mark without becoming a licensee, the only leverage Glidewell would have is a lawsuit for past infringement damages. But neither the filing of a lawsuit, nor aggressive negotiating tactics in connection with the lawsuit, rise to the level of antitrust or unclean hands. See 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition (4th ed. 2010) § 31:51 ("Merely filing the trademark infringement lawsuit itself cannot constitute unclean hands.... [A]cts such as ... oppressive negotiating tactics do not directly relate to the trademark allegedly infringed and cannot form the basis for an unclean hands defense."); Sears, Roebuck & Co. v. Sears plc, 744 F.Supp. 1297, 1309-10 (D. Del. 1990) (in trademark infringement lawsuit, defendant claimed unclean hands because plaintiff filed suit for ulterior motives; summary judgment granted to plaintiff because while bringing suit brought the trademark before the court, the act of bringing suit was not misconduct "in procuring or using the [trademark] right that was the subject matter of the litigation."). Keating plainly has the resources to litigate, moreover, as it has aggressively litigated this case and retained Knobbe Martens, a large, prominent (and presumably expensive) law firm to represent it. Thus Glidewell's alleged demand does not evidence a violation of the anti-trust laws, and is not "unfair" conduct under the UCL, nor does it constitute unclean hands.

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# 2. Glidewell's Alleged Enforcement of a Generic Mark Does Not Violate the UCL or Constitute Unclean Hands

Glidewell's alleged enforcement of a generic mark does not violate the UCL because no court has held Glidewell's mark is generic. Moreover, because it is registered, it is presumptively distinctive and *not* generic. "Federal registration of a trademark endows it with a strong presumption of validity. The general presumption of validity resulting from federal registration includes the specific presumption that the trademark is not generic." Coca-Cola Co. v. Overland, Inc., 692 F.2d 1250, 1254 (9th Cir. 1982) (citations omitted). Keating's claim that the mark is generic does not make it so, and Glidewell is free to enforce its registered, presumptively valid trademark. Dresser Indus., Inc. v. Heraeus Engelhard Vacuum, Inc., 267 F.Supp. 963, 975-76 (W.D. Pa. 1967), aff'd, 395 F.2d 457 (3d Cir. 1968) ("[I]t is to be noted that the mere assertion of genericality by an infringer does not ipso facto terminate a trademark owner's rights to the mark."). Absent evidence that a court has declared Glidewell's mark to be generic, or evidence that Glidewell was intentionally and knowingly enforcing an invalid mark (evidence that Keating does not have), there is nothing illegal about Glidewell's enforcing its presumptively valid mark.

Nor does it rise to the level of unfair competition that Glidewell has identified certain marks containing "Brux" and "Bruxer" as confusingly similar to BruxZir. Glidewell is entitled to enforce its mark against other marks that are "confusingly similar to its own." *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1205 (9th Cir. 2000). Glidewell uses the mark "BruxZir" in connection with zirconia dental restoration products. The evidence shows that Glidewell has only sought to prevent use of what it deems to be confusingly similar marks used by direct competitors in the market for zirconia dental restoration products. (SUF 8). This enforcement could hardly be considered aggressive, much less unlawful. But even if it is aggressive, there is nothing wrong with aggressive trademark policing.

	Plaza
Snell & Wilmer	LLP. LAW OPFICES 50 South Grand Avenue, Suite 2600, Two California Plaza Los Angeles, California 90071 (213) 929-2500
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Deere & Co. v. MTD Holdings, Inc., 2004 WL 1794507 (S.D.N.Y. 2004) (holding
no improper trademark enforcement where plaintiff claimed certain colors as trade
dress and stating, "The evidence and allegations [defendant] has provided with
respect to [plaintiff's] use of its green and yellow trademarks and [plaintiff's]
efforts to protect those trademarks simply do not amount to antitrust violations or
misuse. Instead, 'they indicate plaintiff's intent to vigorously enforce its trademark
rights against those it believes are infringing on those rights.""); Clorox Co. v.
Sterling Winthrop, Inc., 117 F.3d 50, 61 (2d Cir. 1997) ("Efforts to protect
trademarks, even aggressive ones, serve the competitive purpose of furthering
trademark policies."); Weber v. National Football League, 112 F.Supp.2d 667, 673
(N.D. Ohio 2000) ("The weight of authority dictates that legal efforts to protect
trademark rights simply do not constitute a restraint of trade in violation of antitrus
laws.").

Indeed, courts have recognized that trademark holders *must* aggressively police their marks on pain of diluting or losing them:

> Aggressively promoting and protecting a trademark, however, does not constitute unclean hands. Indeed, "[i]n view of the strength of the mark and the very substantial good will attaching to it, plaintiffs can be expected to be, and are entitled to be, aggressive in asserting their [trademark] rights against others." James Burrough Ltd. v. Lesher, 309 F.Supp. 1154, 1161–62 (S.D. Ind. 1969). If such conduct constituted unclean hands, plaintiffs would have to choose between policing their mark through vigorous efforts, which may include threats of suit or actual suits, or allowing general use to cheapen and dilute their mark. Esquire v. Esquire Slipper Mfg. Co., 243 F.2d 540, 545 (1st Cir.1957).

Gateway, Inc. v. Companion Products, Inc., 320 F.Supp.2d 912, 928 (D.S.D. 2002).

For example, in Esquire, Inc. v. Esquire Slipper Mfg. Co., 243 F.2d 540 (1st Cir. 1957) the district court criticized the plaintiff for overzealous policing. The holder of the mark "Esquire," in connection with magazines, attempted to enforce

The plaintiff certainly went to the brink in policing its mark. But it was on the horns of a dilemma. If it sat back and did nothing, it might see its mark so cheapened by general use that it lost the last vestige of value to the plaintiff or to anyone else. On the other hand, if it embarked on too vigorous a campaign to protect the value of its mark by threatening to sue, and in numerous cases bringing suit against those who ignored its threats, it ran the risk of being met with the defense of 'unclean hands.'

Id. at 545. Glidewell's policing efforts are not nearly as aggressive as those in Esquire. They are restricted to direct competitors. (SUF 8). Thus Glidewell's efforts do not rise to the level of unclean hands or unfair competition.

Additionally, the BruxZir mark simply is not generic, as set forth in Glidewell's concurrently filed Motion For Partial Summary Judgment as to Keating Dental Arts, Inc.'s Invalidity Defense And Counterclaim, so Glidewell has done nothing wrong in enforcing its mark. Rather than burden the Court with repetition of those arguments, we refer the Court to that motion and its supporting memorandum and incorporate the arguments therein by reference.

# 3. Glidewell's Alleged Misuse of the ® Symbol Does Not Violate the UCL or Constitute Unclean Hands

Finally, Glidewell's alleged two instances of misuse of the ® symbol on its website do not rise to the level of unfair competition or unclean hands. Use of the ® symbol in connection with unregistered goods is actionable only if the trademark holder intended to deceive. *Copelands' Enterprises, Inc. v. CNV, Inc.*, 945 F.2d 1563, 1566 (Fed. Cir. 1991) ("The improper use of the registration symbol by an applicant will defeat applicant's right to registration only in those cases where it is

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conclusively established that the misuse of the symbol was occasioned by an intent to deceive the purchasing public or others in the trade into believing that the mark was registered."); see also 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition (4th ed. 2010) § 19:146 ("[I]n ex parte and interpartes proceedings in the PTO, modern decisions have been extremely lenient in accepting explanations for misuse of the statutory notice. . . . [A]nything less than an intentional or deliberate act to deceive the public is regarded as not constituting misuse of the trademark notice so as to bar relief.").

Here, Keating did not even plead, much less produce evidence, that Glidewell misused the ® symbol with the fraudulent intent to deceive. To the contrary, Glidewell's in-house counsel admitted the few alleged instances of misuse were inadvertent mistakes and not consistent with Glidewell's policy. (SUF 14). The two alleged instances of misuse on Glidewell's website were corrected the day after Glidewell discovered them. (SUF 15). Moreover, as the Trademark Manual of Examining Procedure specifically recognizes, the fact that the incorrect usage was in connection with a mark that had already in fact been registered for use in closely related goods forecloses, without more, a finding of intent to deceive: it lists "[r]egistration of the mark for other goods" as a "[c]ommon reason[] for improper use of the federal registration symbol that do[es] not indicate fraud." Trademark Manual of Examining Procedure (October 2012) § 906.02 (emphasis added). (SUF 2-3, 12). Here, of course, the BruxZir mark is registered for a class of dental restoration products. Thus, Glidewell's handful of oversights in incorrectly using the ® symbol for different but related products are not actionable as either unfair competition or as an unclean hands defense.

Additionally, the alleged instances of improper usage of the ® symbol simply are not sufficiently egregious to support an unclean hands defense. Because of the potential threat to the public from allowing an unclean hands defense—permitting a defendant to go on using a confusing trademark—courts require clear and

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In *Pom Wonderful*, plaintiff accused defendant of false advertising under the Lanham Act. Plaintiff claimed defendant's product "100% White Grape Pomegranate" juice was misleading because it contains very little pomegranate juice. *Id.* at 1108. Defendant asserted unclean hands on the ground that plaintiff, which also produced pomegranate juice, deceived consumers by obscuring "from concentrate" on its labels, failed to disclose on its labels that the product contains water, and advertised that the pomegranate juice goes straight from "Tree to Bottle," when in fact there were several intervening steps. Although the court recognized that plaintiff's label was misleading, it rejected the unclean hands defense because there was no evidence of harm:

The Court finds that while Welch [defendant] has offered undisputed evidence of Pom's [plaintiff] misleading label, Welch has not demonstrated by clear and convincing evidence that Pom's conduct was "egregious." Welch has not offered evidence that Pom's deception was material, i.e. that it induced customers to purchase a product that they otherwise might not have purchased. Welch has not attempted to link Pom's inclusion of trace amounts of elderberry juice in its 100% Pomegranate Juice to consumer deception or harm.

*Id.* at 1113.

So, too, here, there is simply no evidence that anyone was harmed or deceived by the few instances of alleged improper usage of the ® symbol. Accordingly, those instances are not egregious and are insufficient to establish an unclean hands defense.

# F. Keating's Fifth Affirmative Defense of Fair Use Fails Because Keating is Using "Bruxer" as a Trademark

Keating alleges, without alleging any factual basis, that its use of the KDZ Bruxer mark constitutes fair use. This is a frivolous allegation; Keating's use of the KDZ Bruxer mark does not fall within the scope of any type of fair use recognized in federal trademark law.

There are two types of fair use recognized under the Lanham Act. *Mattel*, *Inc. v. Walking Mountain Productions*, 353 F.3d 792, 809 (9th Cir. 2003). First, the courts recognize an affirmative defense of nominative fair use where the defendant uses plaintiff's mark to refer to *plaintiff's* product. Nominative fair use requires three elements:

First, the plaintiff's product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the plaintiff's product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

New Kids on the Block v. News Am. Pub., Inc., 971 F.2d 302, 308 (9th Cir. 1992). Keating's conduct does not and cannot constitute nominative fair use for at least the reason that it is not using the KDZ Bruxer mark to refer to the products of another, but rather to its own products.

Second, the courts recognize what is now referred to as a "classic fair use" defense. There are three elements to the defense: (1) defendant's use of the term is not as a trademark or service mark; (2) defendant uses the term "fairly and in good faith"; and (3) defendant uses the term "only to describe" its goods or services. 15

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U.S.C. § 1115(b)(4). Thus, the "classic fair use" defense applies where a party uses a descriptive term not as a trademark but instead to describe the defendant's goods. J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition (4th ed. 2010) § 11:49. Keating's use of the term "bruxer" fails at least two of the above elements: it is used as a trademark, and it is not used "only to describe" Keating's goods.

"To determine whether a term is being used as a mark [for purposes of the fair-use defense], we look for indications that the term is being used to associate it with a manufacturer." Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Mgmt., Inc., 618 F.3d 1025, 1040 (9th Cir. 2010) (internal quotes omitted). Courts often have to look to circumstantial evidence of whether a term is being used as a trademark. E.g. Id. ("Indications of trademark use include whether the term is used as a symbol to attract public attention, which can be demonstrated by the lettering. type style, size and visual placement and prominence of the challenged words." (internal formatting and citations omitted)).

Here, however, Keating has admitted it is using the term "bruxer" as a trademark: it applied to the Patent and Trademark Office to register the mark "KDZ BRUXER," admitted that it uses the mark as a trademark, and repeatedly referred to the KDZ BRUXER mark as a "trademark" throughout its Second Amended Answer. (E.g. Second Amended Answer, Affirmative Defenses and Counterclaims, Doc. No. 57-1 ("SAA") ¶ 13 ("Defendant admits that it has used in commerce the term KDZ BRUXER as a trademark in connection with advertising of, sale of, or offer to sell dental prostheses."); ¶ 41 (application for registration)). This is fatal for Keating's fair use defense, and compels partial summary judgment in favor of Glidewell.

Further, Keating is not using "bruxer" only in its descriptive sense. As Keating acknowledges, the term "bruxer" is used to refer to "[a] person who suffers from bruxism." (SAA ¶ 46). In turn, "bruxism" refers to a condition of a patient

	who habitually grinds teeth. ( <i>Id.</i> ). Keating admits, however, that it uses the term
	"bruxer" in connection with the sale of "crown[s] made from zirconia." (SAA ¶
	42). The term "bruxer," therefore, simply does not describe Keating's product—
	Keating's product is not a person who grinds teeth. Instead, Keating's use of the
	term "bruxer" suggests a crown that is sufficiently strong to withstand the grinding
	of teeth, as is set forth in Glidewell's co-pending motions for partial summary
	judgment. (See Glidewell's Motion for Partial Summary Judgment re:
	Infringement of a Federally Registered Mark (First Cause of Action) And Dismissal
	of Defendant's Second Affirmative Defense and First Counterclaim at pp. 7-8;
	Glidewell's Motion for Partial Summary Judgment as to Keating Dental Art, Inc.'s
	Invalidity Defense and Counterclaim at pp. 14-19). Not only does the nature of
	Keating's use preclude a fair use defense because the term is not being used "only
	to describe" Keating's goods, but Keating is, in its trademark, attempting to utilize
	the exact same meaning associated with Glidewell's registered BruxZir mark. [Id.]
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Keating is, therefore, using "bruxer" as a trademark and not in its descriptive sense. This shuts the door on Keating's Fifth Affirmative Defense. There are no cognizable grounds on which Keating might otherwise prove up its purported fair use defense. The Court should grant partial summary judgment in Glidewell's favor on this issue.

### G. Keating's Third Affirmative Defense of Estoppel Fails

Keating's Third Affirmative Defense for Estoppel fails to state a defense of estoppel. Keating claims Glidewell is estopped from asserting trademark infringement against any competitor's use of the terms "brux" or "bruxer" in a trademark. [SAA ¶ 33.] Keating's reason: "Plaintiff intentionally chose to adopt, use, and register the trademark BRUXZIR, and NOT the words BRUX or BRUXER." [Id.]

This activity simply does not give rise to an estoppel. In the context of trademark law, "[a]n estoppel can be created by a plaintiff's knowing acquiescence

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in defendant's activities, or by an unreasonable delay coupled with prejudice,
creating an estoppel by laches." 6 J. Thomas McCarthy, McCarthy on Trademarks
and Unfair Competition (4th ed. 2010) § 32:105. Keating has neither alleged nor
produced any evidence that Glidewell consented to Keating's use of BruxZir or
confusingly similar marks using "Brux" or "Bruxer." Nor could it, because
Glidewell has never given Keating such consent. (SUF 21). To the contrary,
Keating claims (incorrectly) that Glidewell has been overzealous in preventing third
parties from using such marks. Thus, Glidewell is not estopped by acquiescence.

Keating's novel theory of estoppel, which would appear to generally preclude trademark owners from enforcing their marks against the confusingly similar but non-identical marks of their competitors, finds no purchase in the law. To the contrary, trademark holders are not restricted to enforcing the mark against verbatim imitators, but are free to enforce the mark against other marks "confusingly similar to its own." GoTo.com, Inc. v. Walt Disney Co., 202 F.3d 1199, 1205 (9th Cir. 2000) (granting preliminary injunction that "GoTo" label infringes "Go Network" logo). If the rule were to the contrary, unscrupulous companies could trade on the secondary meaning of other companies' marks by simply changing a few letters around. That is not the law. Of course, Keating is free to argue that these terms do not have secondary meaning or that there is no risk of confusion, but that is a defense on the merits, not an estoppel.

Accordingly, the Court should grant partial summary judgment in favor of Glidewell on Keating's Third Affirmative Defense of Estoppel.

# IV. CONCLUSION

For the foregoing reasons, the Court should enter partial summary judgment for Glidewell on Keating's Second Counterclaim for Unfair Competition, Third Counterclaim for Misuse of Trademark, Third Affirmative Defense of estoppel. Fourth Affirmative Defense of unclean hands, and Fifth Affirmative Defense of fair use.

Glidewell Laboratories v. Keating Dental Arts, Inc. United States District Court, Central, Case No. SACV11-01309-DOC (ANx)

### **CERTIFICATE OF SERVICE**

I hereby certify that on November 19, 2012, I electronically filed the document described as JAMES R. GLIDEWELL DENTAL CERAMICS, INC.'S MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF ITS MOTION FOR PARTIAL SUMMARY JUDGMENT RE TRADEMARK MISUSE, UNFAIR COMPETITION, UNCLEAN HANDS, FAIR USE, AND ESTOPPEL with the Clerk of the Court using the CM/ECF

System which will send notification of such filing to the following:

David G. Jankowski Jeffrey L. Van Hoosear Lynda J Zadra-Symes Knobbe Martens Olson and Bear LLP 2040 Main Street, 14th Floor Irvine, CA 92614

Attorneys for Defendant Keating Dental Arts, Inc.
Tel: (949) 760-0404

Tel: (949) 760-0404 Fax: (949) 760-9502

Jeffrey.vanhoosear@kmob.com David.jankowski@kmob.com Lynda.zadra-symes@kmob.com litigation@kmob.com

Dated: November 19, 2012

SNELL & WILMER L.L.P.

By: s/Philip J. Graves
Philip J. Graves
Greer N. Shaw

Attorneys for Plaintiff
James R. Glidewell Dental Ceramics, Inc.
dba GLIDEWELL LABORATORIES

16139994.1

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